

Kandaketiya Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 18 February 2015 while Financial Statements relating to the preceding year had been submitted on 17 June 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 05 May 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kandaketiya Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Although the Stamp Fees Revenue at the beginning of the year under review was Rs.246,017, it had been accounted as Rs. 429,235. Due to that, the balance of Revenue Debtors as at 31 December of the year under review and the balance of the Accumulated Fund had been overstated at a rate of Rs. 183,218 in the financial statements.
- (b) A sum of Rs. 36,393 relevant to the year under review and sum of Rs. 11,547 relevant to the preceding year withheld as administrative expenses by the Provincial Council included in the Courts Fine Revenue had been accounted as Court Fines Revenue. Due to that, surplus for the year under review amounting to Rs.36,393 and Revenue Debtors Balance and Accumulated Fund Balance as at 31 December of the year under review at a rate of Rs. 47,940 had been overstated in the financial statements.

- (c) Although the amount receivable in respect of 05 Works executed under Maga Neguma Rural Roads Development Program – 2014 and a Work executed under Speedy Rural Tourism Special Program - 2014 during the year under review as at 31 December 2014 was 3,191,674, a sum of Rs. 3,246,377 had been made as provision for Debtors. Due to that, surplus for the year under review and value of Debtors had been overstated at a rate of Rs.54,703 in the financial statements.
- (d) Provision for Creditor amounting to Rs.177,604 had been made being the estimated value of Bus Stand expected to be constructed near the Junction 21 on the Badulla Mahiyangana Road, but construction work not commenced up to March 2015. Due to that, surplus for the year had been understated in a sum of Rs. 177,604 the value of Creditors as at 31 December of the year under review had been overstated to that extent.

1.3.2 Accounts Receivable and Payable

According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs.13,987,490 and the value of Accounts Payable balances as at that date had been Rs.13,927,855.

1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of Non-compliance with Laws, Rules and Regulations etc. observed in audit are shown below.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Employees Provident Fund Act No. 15 of 1958	- Contributions for Employees Provident Fund amounting to Rs. 420,434 recovered from salaries of the employees since the year 2008 had not been remitted to that Fund as specified.

- (b.) Financial regulations of the Republic of Sri Lanka - Regulation 756 - A Board of Survey had not been carried out as at 31 December of the year under review.
- (c.) Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government - Monthly Lease Rent of 05 stalls belong to the Sabha situated in the Kandaketiya Junction had not been assessed once in 05 years.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.2,103,181 as against excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 888,941. Accordingly a favorable variance of Rs. 2,992,122 was observed.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Out of the arrears remained as at 01 January 2014, relevant to Trade License Fees, Water Charges and Stalls Rent, progress of recovery had been less than 10 per cent, while progress of recovery out of rent billed during the year had taken a value less than 13 per cent.

2.2.2 Court Fines and Stamp Fees

Court Fines and Stamp Fees due from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
Court Fines	1,598,017
Stamp Fees	843,205

	2,441,222
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3. Operating Review

3.1 Operating Inefficiencies

A sum of Rs. 33,184 had been paid as surcharges in terms of provisions in the Employees Provident Fund Act No. 15 of 1958 as amended by Act No. 08 of 1971.

3.2 Idle Assets

- (a) While Hand Tractor bearing No. UPGY-0873 had been kept idle in the Sabha Ground without being used, Trailers was getting decayed.
- (b) Electricity Generator provided to the Sabha from the Disaster Management Centre during the year 2007 had been defunct since the end of the year 2011; had been kept idle in thee Sabha Ground without action being taken to repair and use it.

3.3 Solid Waste Management

While a Solid Waste Management is not performed by the Sabha, garbage collected were being dumped to land belongs to the Mahaweli Authority situated in Raja Mawatha, Buddhankotte haphazardly.

4. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Stores Control